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8 June 1966

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INTELLIGENCE REPORT

THE SITUATION IN SOUTH VIETNAM

DIRECTORATE OF INTELLIGENCE

State Dept. review completed

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence

THE SITUATION IN SOUTH VIETNAM

(2 June - 8 June 1966)

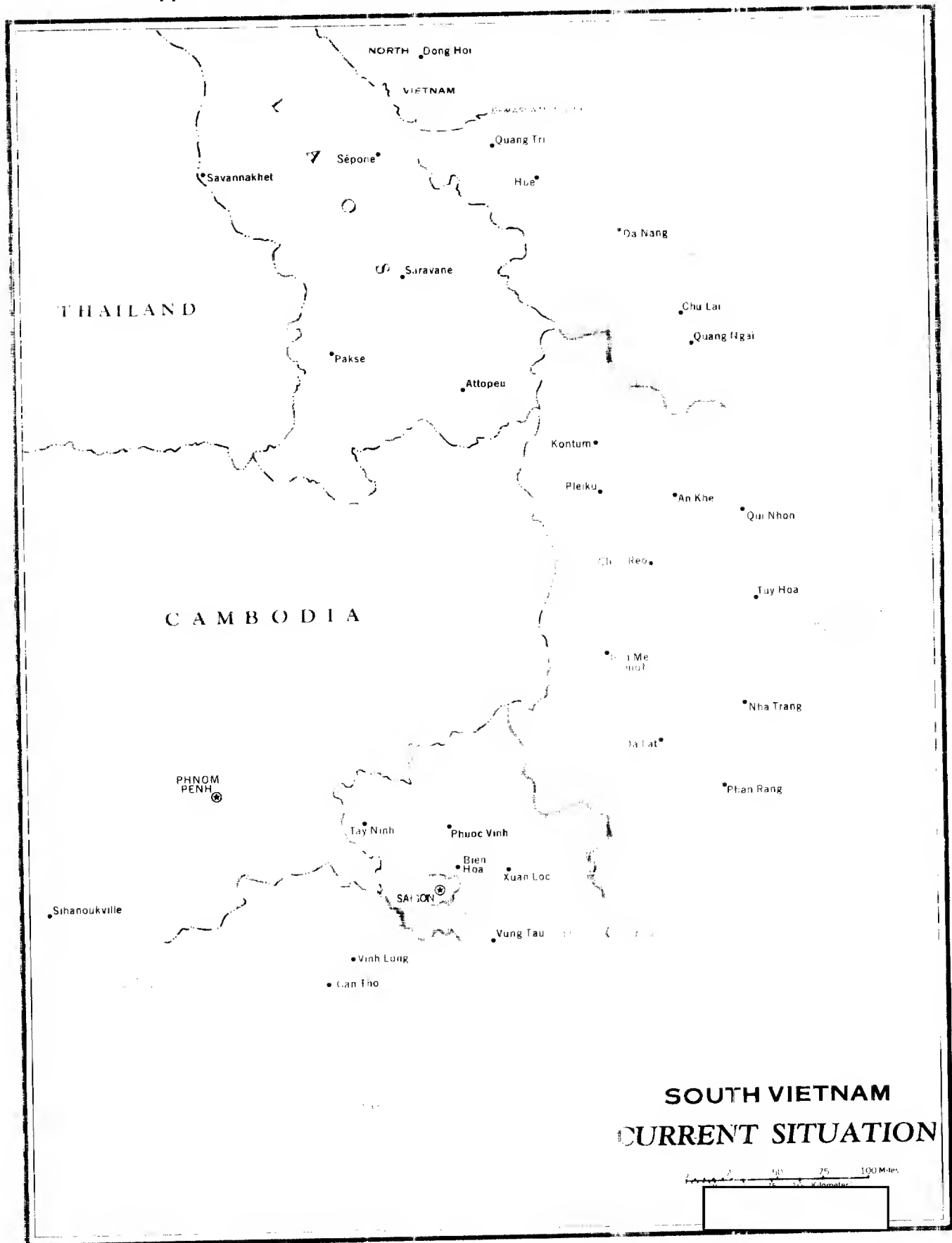
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I. POLITICAL SITUATION

1. Moderate Buddhist leaders joined the militants this week in their opposition to the government despite the addition of ten civilians to the ruling Directorate. The closing of ranks between the two Buddhist factions probably hinged on an agreement to utilize nonviolent protests, with more emphasis on Buddhist religious themes. After his resignation as institute chairman was refused by other ranking Buddhists in Saigon, moderate Tam Chau announced that the Buddhist "struggle" would continue until Ky and Thieu departed, and that the name of the Buddhists' political control apparatus would be changed to the "Committee to Defend Buddhism."

[REDACTED] the "Voice of Buddhist Salvation," which urged among other things that the Buddhist faithful place their family altars in the streets to protest the rumored approach of Saigon troops. By the middle of the week, this tactic had clogged main thoroughfares in Hue and Quang Tri city, and was evident for a while in Da Nang, Qui Nhon, and Pleiku. Other Buddhists during the week hinted at future boycotts and various other "broader" forms of passive resistance.

3. This shift in tactics probably reflected a conclusion by the Buddhists that their more violent actions had failed in the face of continued government firmness and a generally apathetic public in Saigon. The Buddhists apparently hope that the application of religiously oriented nonviolence may provoke the government into making an "attack on Buddhism," or cause government momentum to founder on uncertainty over how to deal with the revised anti-government campaign.

4. Policy differences regarding the current government and the scheduled elections remain, however, between the militant and moderate Buddhists. Thus far, Tam Chau has only implied that the Buddhists will boycott the September elections if Thieu and Ky are still in power, while Tri Quang has been adamant in declaring that the two must

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resign before acceptable elections can be held. The new, nonviolent theme would also appear to allow for some latitude between the tactics used in I Corps and those in Saigon.

5. Government leaders thus far are moving somewhat cautiously to counter the new opposition tactics, but they appear nevertheless determined to reassert their control throughout the country. Although Buddhist followers in Da Nang have been persuaded to remove altars without any serious incident, the situation in Hue remains a serious challenge to the government. This week, Saigon troops moved from Da Nang to within a few miles of Hue in preparation for an operation against the Viet Cong. Their proximity to Hue, however, may be intended to back up the efforts of wavering local military commanders to restore order, and it is possible that the troops may eventually be used to put down the "struggle" movement in the city.

6. In Saigon, the government named ten civilians to the ruling Directorate as scheduled, although there is evidence that some of the civilians initially selected by the government refused to serve. The additions, with one or two exceptions, are well-known figures representing the major political parties and the religious minority groups. However, there is no civilian clearly identified with the Buddhist Institute. As expected, the Armed Forces Congress, a body of senior officers who occupy the theoretical seat of government power, ratified the slate of civilian nominees and then overwhelmingly endorsed Ky and Thieu as premier and chief of state, respectively.

7. Elsewhere in the capital, General Le Nguyen Khang, commander of the marines and of the Saigon military area, replaced General Nguyen Bao Tri as III Corps commander. It is not yet clear whether the change has any special significance; although both Khang and Tri have been characterized as "baby turks," Tri has been linked to Chief of State Thieu while Khang is apparently closer to Premier Ky. There were also some reports that Premier Ky would soon make several changes in his cabinet--possibly a reaction to previous threats by several cabinet ministers to

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resign at a time when the government's position was considerably weaker than it is at present.

8. The election law drafting committee also completed its work this week, and submitted its recommendations to the government in the form of three separate drafts on aspects of the election and the constituent assembly. The committee demonstrated to some extent its independence of the government by deciding against reserving any seats in the assembly for the armed forces, and by leaving room for the assembly to assume legislative in addition to constitution-drafting duties. However, some aspects of the committee's work on the elections themselves are rather incomplete, and a certain amount remains to be done by the government--in addition to any actual changes it might wish to make in the committee's draft.

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II. REVOLUTIONARY DEVELOPMENT

A. CADRES

1. With the graduation of the first coordinated revolutionary development class from the National Cadre Training Center on 21 May, the total number of operational personnel directly affiliated with the Ministry of Revolutionary Development (MRD) is 23,271. A higher figure previously reported included additional personnel associated with pacification but not directly affiliated with the MRD. The new class, numbering 4,518, is expected to be deployed for field work by mid-June after first receiving an additional two-week training course in their home provinces.

2. The MRD cadre are broken down as follows:

	<u>Personnel</u>	<u>Groups or Teams</u>
New Revolutionary Development Cadre	4,518	76
Existing cadre		
Peoples Action Teams (PAT)	11,074	(organized into 367 teams of either 40 or 59 men)
Advance Political Action (APA)	1,608	
PAT/APA (in improvised teams)	1,554	
New Life Hamlet/Mobile Action/ Rural Political	4,517	
Totals	23,271	443

Personnel in the New Life Hamlet/Mobile Action/Rural Political category are being integrated into the improvised pacification teams until they can be sent to the National Cadre Center for training.

3. There are two other significant programs that aid in the pacification effort but are not yet administered by the MRD. When the 3,208 tribesmen of the montagnard Peoples Action Teams and the approximately 3,200 Census Grievance personnel from these two programs are added to the MRD cadre, there

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is a total of 29,679 persons trained to assist in implementing the revolutionary development program in one form or another.

4. Some of the newly graduated Vietnamese cadre groups will be assigned for the first time to work in the Vietnamese Land Development Centers in the predominantly tribal highlands. In Darlac Province alone, some 30 Land Development Centers built and populated by ethnic Vietnamese under the Diem regime have been extensively infiltrated by the Vietnamese Communists, and since late 1964 the majority of them have come under Viet Cong control due to a lack of government security forces. The introduction of Vietnamese cadre groups should have a significant effect in countering that trend.

5. An example of how the PAT teams operate to gain the confidence of the people in a hamlet under their jurisdiction is recounted in Ninh Thuan Province. One of the district chiefs there had required that the PAT team leave the hamlet in which they were working by 4:00 pm along with the local force company whose duty was to set up ambushes at night. The Viet Cong, however, continued to enter the hamlet at night without interference from the local company. After some prodding, the district chief permitted the PAT team to remain in the hamlet. On the night of 15 May, a Viet Cong force tried to enter the hamlet twice, but were repulsed by the team. The next morning, the team found a bridge ready to be mined just outside the hamlet on the route over which the province chief was scheduled to drive a short time later. Similar instances in which the teams can remain to provide nightly protection have resulted in the eventual cooperation of the hamlet residents in providing information upon which subsequent operations could be based.

B. RURAL ATTITUDES TOWARD REVOLUTIONARY DEVELOPMENT

The Joint US Public Affairs Office (JUSPAO) is attempting to determine how to stimulate the rural population's interest in revolutionary development. From a sampling undertaken during April, JUSPAO concluded that peasant attitudes toward pacification were influenced primarily by the traditional cynicism

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and distrust toward the central government. This fundamental distrust has been reinforced by the peasant's fear that, if he cooperates with pacification efforts, the Viet Cong will take reprisals against him. JUSPAO's sampling suggests, however, that where the peasant actually derives benefits from revolutionary development projects, and where the projects are supported by psychological exploitation, he may be favorably influenced. The JUSPAO survey also noted a widespread indifference among the rural people toward the possibility of national elections.

C. VIET CONG REACTION TO REVOLUTIONARY DEVELOPMENT

US mission officials are in agreement with the previously reported trend that pacification workers are being singled out as targets of Communist terrorism. Several Census Grievance cadres have been killed or kidnapped, and villagers have been warned by the Viet Cong not to cooperate with the cadre when they are interviewed. In usually quiet An Giang Province, the IV Corps national priority area, 19 civilian laborers were summarily executed late last month by Viet Cong who had tried unsuccessfully to lead them away from their work.

D. GVN PERSONNEL CHANGES

An agreement between GVN and US officials was reached at the Honolulu conference in February to replace expeditiously those officials, especially province chiefs, who did not effectively implement revolutionary development programs. Since then, at least eight province chiefs have been relieved of their duties, although some were merely installed as heads of other provinces. The most significant changes, however, have been carried out recently among the national police in I Corps who have been actively engaged in supporting the antigovernment "struggle" movement. Both the Hue city police chief and his deputy for intelligence activities were replaced this week by ARVN officers loyal to the government. About a month ago, the regional director of the national police in I Corps, who was also based in Hue, was replaced by a progovernment officer on orders from the police director general in Saigon.

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E. RETURNEES (CHIEU HOI)

The defector tally for the period 28 May to 3 June was 257, but once again there was no reporting from I Corps. Of the 257 returnees, 159 were military. US officials reported a preliminary figure of 1,237 defectors for the month of May (through the 27th and excluding I Corps).

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III. ECONOMIC SITUATION

A. PRICES

1. Retail prices in Saigon, which had risen steadily for the past five weeks, were virtually unchanged in the week ending 31 May. Although the prices of some items rose, the price of rice was stable for the first time in several weeks. This temporary plateau, however, was at the very high level of about 1,150 piasters per 100 kilograms for the variety of rice consumed by the working class. The prices of wheat flour, sugar, and most imported commodities declined. The major exception was the price of iron and steel products, which rose this week due partly to limited availabilities on the open market as a result of arrangements made by the Ministry of Economy for direct supply of end-users.

2. In spite of the relative price stability in the week ending 31 May, the USAID retail price index was still nine percent above a month ago. It would appear, according to this index, that average monthly prices for May were roughly seven percent above the April average, but only about one percent above the average for the first four months of 1966. (A table of retail prices in Saigon is included in the annex.)

3. The economic situation in Da Nang seems to have improved somewhat. With the arrival of an airlift of meat and wheat flour, the price of these products fell by as much as 25 percent. The price of rice has remained relatively stable at about 14 piasters per kilogram.

B. CURRENCY AND GOLD

Until 31 May, prices on the Saigon free market continued to move up from the unprecedented highs already reached. The price of \$10 bills and \$10 MPC (scrip) each rose three piasters to 189 and 134 piasters per dollar, respectively. Gold soared 17 piasters to 289 piasters per dollar. By 2 June, however, \$10 bills, \$10 MPC, and gold had fallen back by two, six, and five piasters per dollar,

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respectively. This decline apparently reflected reports that the political crisis had eased. In Hong Kong, the piaster-dollar cross rate was up 4.5 piasters to 164.5 on 31 May.

C. GVN FOREIGN EXCHANGE RELEASE

The GVN has made a second foreign exchange release of \$58.1 million for its FY 1966 import program. The deadline for submitting import license applications is 7 July. This amount is in addition to the \$58.4 million released in March, and will bring the total for the first half of 1966 to roughly \$115 million. The GVN has agreed to release \$200 million for the entire year.

D. RICE

1. Shipments of rice from the delta to Saigon have been running well below normal. As of 10 May only 140,000 tons of rice had arrived in Saigon from the delta. The US mission estimates that at this rate, total deliveries will amount to only an estimated 265,000 tons in 1966 compared with 425,000 tons in 1965 and 505,000 tons in 1964.

2. At the same time, prices have been rising. Since the beginning of the year, the price of the luxury grade of rice sampled by the US mission has risen 52 percent, while the prices of the two lower grades have each risen by 38 percent. Increases in the GVN purchase price for rice have not produced larger deliveries but have resulted in higher prices.

3. The US mission advocates the sale of imported rice at a subsidized price in the Saigon area in order to stabilize the price of rice. Although Minister of Economy Thanh has been opposed to this scheme, he evidently has agreed to the proposal. On 4 June he stated that he will not be able to commence sales of US-financed rice in Saigon--presumably at a subsidized price--on 10 June, but that he hopes to start such sales on 15 June. Thanh requested once again, however, that the US mission discuss the matter with Premier Ky to gain Ky's support for Thanh's action.

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E. CONTINUED DECLINE IN RUBBER PRODUCTION

1. Rubber is South Vietnam's most important export, accounting for 70 percent of the total value of exports in 1965. Due to growing insecurity, military action, and transportation difficulties in the plantation areas, the production of rubber began to decline in April 1965 and for the entire year production was 18 percent below the 1964 level of 69,200 metric tons. As a result, rubber exports fell from 72,000 metric tons in 1964 to 62,000 metric tons in 1965.

2. Recently available data for the first quarter of 1966 show the extent of this decline (in thousands of metric tons):

<u>January-March</u>	<u>Production</u>	<u>Exports</u>
1964	8.1	17.8
1965	9.0	21.4
1966	5.0	11.0

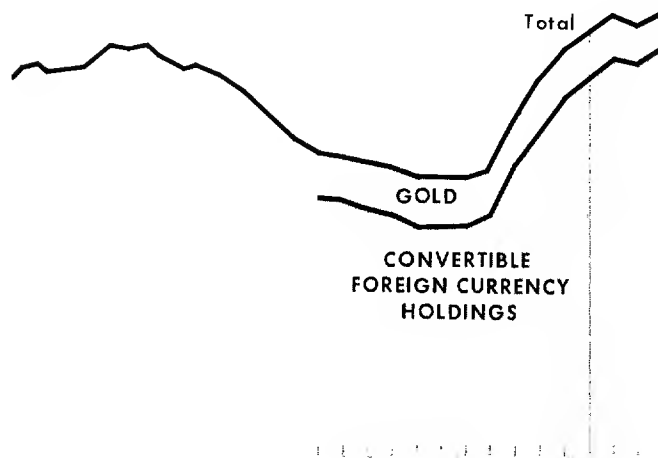
Although February and March are generally months of declining production, output of rubber during the first quarter of 1966 was roughly 45 percent below the corresponding period of 1965. Similarly, exports during the first quarter of 1966 were only half the amount exported during January-March 1965.

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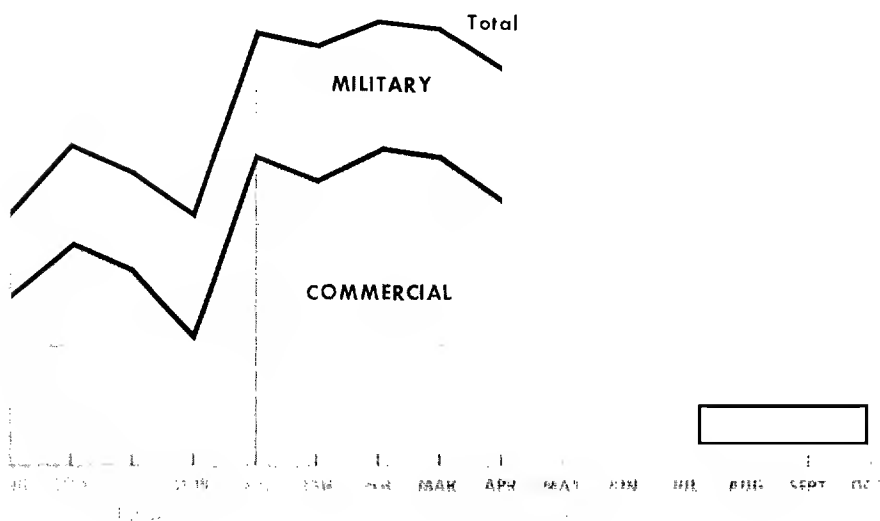
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Foreign Exchange Reserves JANUARY 1963 — MARCH 1966



Commercial and Military Discharge Port of Saigon AUGUST 1965 — APRIL 1966

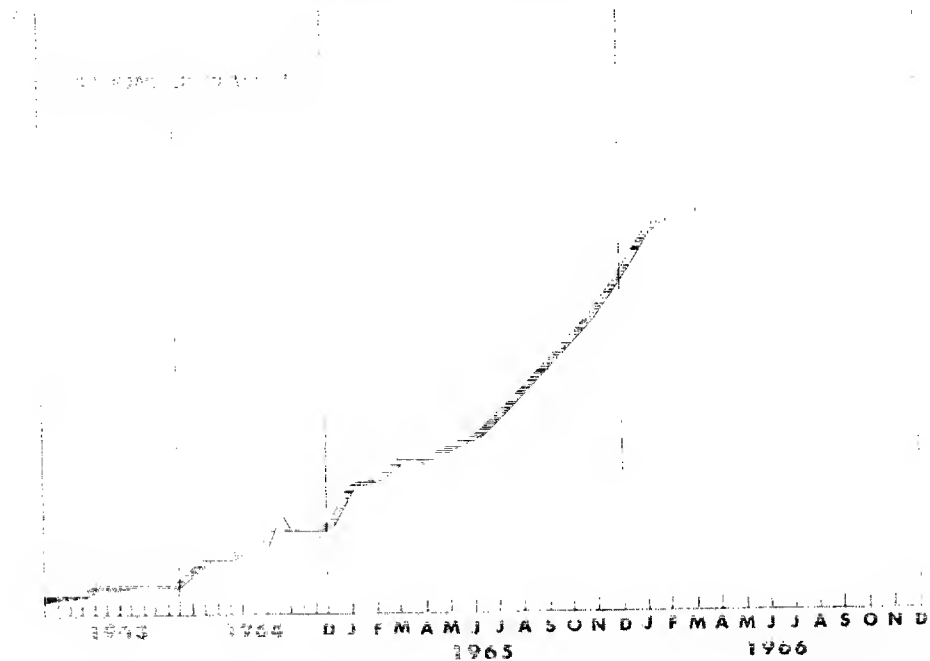


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JANUARY 1963 - APRIL 1966



JANUARY 1963 — MARCH 1966



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Weekly Retail Prices in Saigon a/
(In Piasters)

	3 Jan 1966	3 May 1966	9 May 1966	16 May 1966	23 May 1966	Percent Change from Mo. Ago	Percent Change from Yr. Ago
Index for All Items <u>b/</u>	<u>160</u>	<u>154</u>	<u>156</u>	<u>158</u>	<u>161</u>	+ <u>7</u>	+ <u>51</u>
Index for Food Items <u>b/</u>	<u>169</u>	<u>160</u>	<u>164</u>	<u>166</u>	<u>171</u>	+ <u>10</u>	+ <u>61</u>
Of Which:							
Rice Soc Nau (100 kg.)	800	1,070	1,100	1,100	1,150	+ 8	+ 28
Pork Bellies (1 kg.)	70	70	70	70	70	0	+ 40
Fish Ca Tre (1 kg.)	110	110	110	110	105	+ 5	+133
Nuoc Mam (jar)	50	60	65	70	70	+17	+ 56
Index for Non-Food Items <u>b/</u>	<u>124</u>	<u>131</u>	<u>126</u>	<u>126</u>	<u>126</u>	- <u>5</u>	+ <u>14</u>
Of Which:							
Charcoal (60 kg.)	440	490	450	450	450	- 8	+ 5
Cigarettes (pack)	10	10	10	10	10	0	+ 25
White Calico (meter)	27	27	27	27	26	-10	+ 8
Laundry Soap (1 kg.)	30	32	32	32	32	- 9	+ 26

a/ Data are from USAID sources.

b/ For all indexes, 1 January 1965=100.

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